

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 AID-05

PC-01 /063 W

----- 022999

P 272100Z AUG 76

FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC PRIORITY 6991

INFO AMEMBASSY CARACAS

USSOUTHCOM

AMCONSUL MEDELLIN

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E.O. 11652: N/A

TAGS: PINT, PINS, ECON, CO

SUBJECT: THE WEEK IN COLOMBIA

1. SUMMARY. THE RESIGNATION OF THE MINISTER OF GOVERNMENT AND OTHER RUMORED CABINET DEPARTURES DID NOT APPEAR TO INVOLVE SERIOUS POLITICAL IMPLICATIONS FOR THE GOVERNMENT. REPORTS OF THE IMMINENT DEPARTURE FROM THE CABINET OF FINANCE MINISTER BOTERO, THE IMPRESSION OF HIS VULNERABILITY, AND CURRENT SHORT TERM ECONOMIC PROBLEMS PROMPTED A BROAD ATTACK ON GOC ECONOMIC POLICIES BY A CONSERVATIVE FORMER FINANCE MINISTER. PRESIDENT LOPEZ' PROPOSAL TO CREATE A CONSTITUTIONAL ASSEMBLY MADE A DISORDERLY BEGINNING. THE UNPRECEDENTED LIFTING OF A CONGRESS- PERSON'S IMMUNITY SEEMED TO BE THE PRELUDE TO THE AIRING OF LARGE SCALE CORRUPTION IN THE CONGRESS. GUERRILLA BANDS WERE ACTIVE IN TWO WIDELY SEPARATED AREAS OF ANTIOQUIA. END SUMMARY.

2. MINISTER OF GOVERNMENT RESIGNS. MINISTER OF VERNMENT CORNILIO REYES RESIGNED AUGUST 25 BUT AT PRESIDENT LOPEZ' REQUEST HAS AGREED TO CONTINUE FOR SEVERAL WEEKS UNTIL HIS SUCCESSOR IS CHOSEN. REYES, WHO IS THE SENIOR CONSERVATIVE

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PARTY MEMBER IN THE LOPEZ CABINET AND AN UNSWEVING SUPPORTER

OF THE ADMINISTRATION, IS EXPECTED TO RETURN TO HIS SEAT IN THE CHAMBER OF REPRESENTATIVES. HIS RESIGNATION COMES AT THE TIME WHEN THE CONSERVATIVE PARTY HAS DEVELOPED STRONG INTERNAL DIFFERENCES OF OPINION OVER PRESIDENT LOPEZ' PROPOSAL FOR A CONSTITUTIONAL ASSEMBLY. REYES IS EXPECTED TO JOIN WITH THE PRO-LOPEZ FACTION OF HIS PARTY ON THIS ISSUE.

3. THERE HAVE BEEN REPORTS THAT FINANCE MINISTER BOTERO WOULD ALSO RESIGN, POSSIBLY TO BE NAMED AMBASSADOR TO THE U.S. THESE RUMORS HAVE BEEN FUELED BY RECENT INTENSE CRITICISM FROM CONGRESSMEN FROM BOTERO'S HOME DEPARTMENT ANTIOQUIA, WHO HAVE UNANIMOUSLY CALLED FOR HIS RESIGNATION OVER THE ISSUE OF THE ALLOTMENT OF FUNDS FOR THE DEPARTMENT, WHICH WAS AGGRAVATED BY BOTERO'S ABRASIVENESS.

4. REYES RESIGNATION IS ONLY THE FIFTH CABINET CHANGE IN OVER TWO YEARS OF LOPEZ' TENURE, A GOOD RECORD OF STABILITY. CONSERVATIVE PARTY SOURCES DIFFER AS TO THE REASON FOR REYES' DEPARTURE BUT NONE OF THE VERSIONS INDICATE A WEAKENING IN CONSERVATIVE SUPPORT OF THE GOVERNMENT. NEITHER WILL THERE NECESSARILY BE ANY SPECIAL SIGNIFICANCE IN FURTHER MINISTERIAL RESIGNATION FROM HERE ON OUT, AS SOME MINISTER BEGIN TO THINK OF RETURNING TO ACTIVE POLITICS PRIOR TO THE 1978 ELECTION. THE ONLY CHANGE LIKELY TO BE OF REAL INTEREST WOULD BE THAT OF BOTERO, ALTHOUGH WE WOULD NOT EXPECT LOPEZ' ECONOMIC POLICIES TO CHANGE SHOULD BOTERO GO. WE UNDERSTAND THAT PRESIDENT LOPEZ WOULD LIKE TO KEEP BOTERO ON BUT, IN VIEW OF THE REACTION OF THE ANTIOQUIANS, THE POLITICAL COSTS TO LOPEZ MAY BE TOO GREAT. AN IMAGE OF BOTERO'S VULNERABILITY HAS THUS BEEN CREATED WHICH WILL ENCOURAGE THE CRITICS OF THE GOVERNMENT'S ECONOMIC POLICIES TO BE MORE ACTIVE.

5. FORMER FINANCE MINISTER ATTACKS GOC ECONOMIC POLICY. RODRIGO LLORENTE, FINANCE MINISTER IN THE PREVIOUS PASTRANA ADMINISTRATION, MADE A LONG AND DETAILED ATTACK ON THE ADMINISTRATION'S ECONOMIC MANAGEMENT AND POLICIES. MANY OF THE CRITICISMS HAVE BEEN MADE BY LLORENTE AND PASTRANA REPEATEDLY SINCE LATE 1975, WHEN IT BECAME CLEAR THAT ALL WAS NOT ROSES IN THIS ADMINISTRATION'S ECONOMIC MANAGEMENT. NOW, HOWEVER, THERE ARE A FEW MORE CRITICISMS TO BE MADE, SUCH AS REKINDLING LIMITED OFFICIAL USE

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OF INFLATION, LAGGING INVESTMENT EXPENDITURE AND A DECLINE IN MINOR EXPORTS. LLORENTE LIKENED LOPEZ' POLICIES TO THOSE OF FORMER DICTATOR ROJAS PINILLA AND SAID THAT PRIVATE INVESTMENT WAS RETARDED BECAUSE OF LACK OF PRIVATE INCENTIVES, INCOME DISTRIBUTION WAS GETTING WORSE, MONETARY GROWTH WAS TOO RAPID, BANK RESERVE REQUIREMENTS WERE EXCESSIVE, AND THAT CREDIT RESTRICTIONS

WERE TOO SEVERE, LLORENTE ALSO CLAIMED THERE WAS AN EXCESS OF

GOVERNMENT EXPENDITURE BUT INADEQUATE GOVERNMENT INVESTMENT, AND A FAILURE TO RETURN NATIONAL DEBT. WHILE THE DATA LLORENTE USES ARE LARGELY VALID AND THE BASIC PROBLEM, INFLATION, IS ON THE UPTURN, MOST OF HIS CRITICISMS WERE INCONSISTENT AND SELF-CONTRADICTORY. NEVERTHELESS, THESE ARE FREQUENTLY HEARD CHARGES AND THEY HAVE GAINED CREDIBILITY THROUGH REPETITION AND ALSO BECAUSE SOME WOULD LIKE TO SEE THE COCKSURE AND ARROGANT FINANCE MINISTER BROUGHT LOW BY FAILURE OF HIS PROGRAM. THE ATTACH SHOULD PROBABLY BE READ IN THE CONTEXT OF THE GROWING BELIEF THAT THE FINANCE MINISTER IS VULNERABLE. THE EMBASSY'S VIEW REMAINS THAT THE WEAKNESS OF THE GOVERNMENT'S MANAGEMENT HAS BEEN THAT, WHILE POLICIES HAVE BEEN IN THE RIGHT DIRECTION, THEY HAVE NOT ALWAYS BEEN SOON ENOUGH OR STRONG ENOUGH.

6. TURBULENT BEGINNING FOR A CONSTITUTIONAL ASSEMBLY. DEBATE ON PRESIDENT LOPEZ' PROPOSAL FOR A CONSTITUTIONAL ASSEMBLY (BOGOTA A-107) GOT OFF TO A ROUGH START THIS WEEK. LOPEZ HIMSELF SET THE STAGE WITH A SHARPLY WORDED ATTACK ON SENATOR JAN JOSE TURBAY, A LONG TIME LOPEZ ALLY. HE ALLEGED THAT TURBAY HAD HARMED THE PROPOSAL'S CHANCES BY ADDING AMENDMENTS TO IT. TURBAY ANNOUNCED HE WOULD NO LONGER PARTICIPATE IN THE SENATE DEBATE BECAUSE HE DID NOT WANT TO BE A DIVISIVE ELEMENT. THEN THE CONSERVATIVES GOT INTO THE ACT BY PUBLICLY DIVIDING ON THE PROPOSAL. WITH EACH FACTION CLAIMING TO HAVE A MAJORITY OF CONSERVATIVE CONGRESSMEN ON ITS SIDE, FOLLOWERS OF FORMER PRESIDENTIAL CANDIDATE ALVARO GOMEZ BACKED THE LOPEZ PROPOSAL WITHOUT RESERVATION, WHILE THOSE LOYAL TO EX-PRESIDENTS OSPINA AND PASTRANA EXPRESSED A NUMBER OF OBJECTIONS. IN SPITE OF THE TURMOIL, WE CONTINUE TO BELIEVE THE CONGRESS WILL AUTHORIZE THE ASSEMBLY.

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7. CHAMBER OF REPRESENTATIVES LIFTS MEMBER'S IMMUNITY. IN AN UNPRECEDENTED ACTION, THE CHAMBER OF REPRESENTATIVES LIFTED THE IMMUNITY OF LIBERAL REPRESENTATIVE GABRIELA ZULETA. SHE HAS BEEN ORDERED TO STAND TRIAL FOR THE ALLEGED MISUSE OF PORK-BARREL FUNDS WHILE SERVING AS THE CHAIRMAN OF THE BUDGET COMMITTEE TWO YEARS AGO. THE CHAMBER'S ACTION, ACCOMPANIED BY CONSIDERABLE PUBLIC PRESSURE, MAY BE AN IMPORTANT HOUSE-CLEANING STEP, BUT IS NOT LIKELY TO LESSEN CRITICISM OF THE CONGRESS FOR CORRUPTION. ADDITIONAL CHARGES AND REVELATIONS BOTH FROM WITHIN AND WITHOUT THE CONGRESS INVOLVING CONGRESSMEN AND STAFF MAY BE EXPECTED IN COMING WEEKS.

8. GUERRILLA ACTIVITIES. TWO GUERRILLAS, ONE A PRIEST, ALLEGEDLY MEMBERS OF THE CUBAN-LINE ELN, WERE KILLED 21 AUGUST IN A CLASH WITH GOVERNMENT TROOPS IN NORTHERN ANTIOQUIA. THE

ELN, WHILE SOMEWHAT MORE ACTIVE IN RECENT MONTHS IN ANTIOQUIA AND SANTANDER, USUALLY AVOIDED CONFRONTATIONS WITH GOVERNMENT PATROLS. ON THE NIGHT OF 22 AUGUST, APPROXIMATELY 100 MEMBERS OF THE FARC, THE SOVIET-LINE GUERRILLA ORGANIZATION, CAPTURED THE ISOLATED TOWN OF MURINDO, ANTIOQUIA. THEY SACKED THE TOWN AND DISTRIBUTED ALL THE AVAILABLE LIQUOR AMONG THEMSELVES AND THE LOCAL CITIZENS. ALLEGEDLY, GUERRILLAS AND TOWNSPEOPLE BECAME QUITE INEBRIATED BEFORE THE FARC FORCE FINALLY DEPARTED EARLY THE FOLLOWING MORNING  
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## Message Attributes

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**Concepts:** POLITICAL SUMMARIES  
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**Decaption Date:** 01 JAN 1960  
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**Disposition Approved on Date:**  
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**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
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**Executive Order:** N/A  
**Errors:** N/A  
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**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 19 JUL 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <19 JUL 2004 by izenbei0>; APPROVED <20 JUL 2004 by GolinoFR>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** THE WEEK IN COLOMBIA  
**TAGS:** PINT, PINS, ECON, CO  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006